

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

**Risk-Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures
as at 31 December 2018**

OFFICER-IN-CHARGE'S ATTESTATION

I, Wang Qiang, being the Chief Executive Officer/Managing Director of Industrial and Commercial Bank of China (Malaysia) Berhad, do hereby state that, in my opinion, the Pillar 3 Disclosures set out on pages 1 to 21 have been prepared in accordance with the Bank Negara Malaysia's Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3), are accurate and complete.

Wang Qiang

Chief Executive Officer/Managing Director

Date: 28 March 2019

Risk-Weighted Capital Adequacy Framework (Basel II)**Pillar 3 Disclosure****1.0 Overview**

The Pillar 3 Disclosure for financial reporting beginning 1 January 2011 is required under the Bank Negara Malaysia (“BNM”)’s Risk-Weighted Capital Adequacy Framework (“RWCAF”). This is equivalent to Basel II issued by the Basel Committee on Banking Supervision. Basel II consists of the following Pillars:

(i) Pillar 1

Outlines the minimum regulatory capital that banking institutions must hold against the credit, market and operational risks assumed.

(ii) Pillar 2

Focuses on strengthening the supervisory review process in developing more rigorous risk management framework and techniques. The purpose of this Pillar is for banking institutions to implement an effective and rigorous internal capital adequacy assessment process that commensurates with the scale, nature and complexity of its operations. It sets out the requirements to assess risks in a holistic manner and beyond the capital requirements for Pillar 1 risks.

(iii) Pillar 3

Outlines the minimum disclosure requirements of information on the risk management practices and capital adequacy of banking institutions. The Pillar’s aim is to enhance transparency and market discipline in regulating the risk-taking behaviours of banking institutions. In turn, this will contribute to BNM’s supervisory monitoring efforts and strengthen incentives for the banking institutions to implement robust risk management systems.

The approaches adopted by Industrial and Commercial Bank of China (Malaysia) Berhad (“the Bank”), are shown in table below:

	Risk Type	Approach Adopted	Capital Requirement Assessment
1	Credit	Standardised Approach	Standard risk-weights
2	Market	Standardised Approach	Standard risk-weights
3	Operational	Basic Indicator Approach (BIA)	Fixed percentage over average gross income for a fixed number of years

The Bank is principally engaged in the provision of conventional banking and other related financial services. The Bank’s Pillar 3 Disclosure is in compliance with the BNM’s Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3). The information provided herein has been reviewed and certified by the Bank’s Chief Executive Officer.

2.0 Capital Management and Capital Adequacy

The Bank’s lead regulator, BNM, sets and monitors capital requirement for the Bank. The Bank is required to comply with the provisions of the Basel II framework in respect of regulatory capital adequacy.

The Bank adopts a prudent and forward-looking capital management approach to ensure it has adequate capital to support its operations at all times. On top of the minimum regulatory capital requirements, a buffer is added on to arrive at the Bank’s internal capital target to ensure adequacy of capital to support the current and anticipated business growth. Internal Capital Adequacy Assessment Process (“ICAAP”) is formulated to identify the material risks in the business. The material risk areas that are taken into consideration are credit risk, market risk, operational risk, credit concentration risk, liquidity risk, interest rate risk in banking book, compliance risk, legal risk, strategic risk as well as reputation risk.

2.0 Capital Management and Capital Adequacy (continued)

Internal capital assessment is carried out to determine the level of internal capital required by the Bank based on the Pillar 1 and 2 requirements as well as the assessment of the 3-year financial projection. Capital plan, business plan and budget are approved by the Board of Directors on an annual basis. The business plan in particular would set out the Bank's risk appetite to be in line with the lending direction and business strategies for the coming year. Senior Management is responsible in ensuring a smooth development and implementation of the ICAAP policy as well as effective systems and processes are in place. The Bank's performance against the internal capital levels is reviewed on a regular basis by the Senior Management. Should there be a need for capital raising exercise, it will be presented to the Board of Directors for approval.

The Bank undertakes stress test exercise on a half yearly basis to assess the Bank's capability to withstand the adverse environment. The stress test will at least cover the exceptional but plausible event and the worst case scenario. The possible impact to the Bank due to occurrence of adverse events, i.e. significant deterioration in borrowers' credit profile, decline in collateral value, erosion in the Bank's net interest margin and sizeable foreign exchange loss will be examined. The Bank also performs reverse stress testing to identify potential stressed scenario that could threaten the viability of the Bank. The results of the stress test together with the proposed mitigating actions shall be tabled to the Senior Management and the Board of Directors for deliberations.

The Bank's regulatory capital are analysed as follows:

(i) Tier 1 Capital, which comprises the following:

- Common Equity Tier 1 ("CET1") Capital, which includes ordinary share capital, share premium, retained earnings (net of dividends declared), statutory reserve and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purpose.
- Additional Tier 1 Capital, which consists of instruments that are issued and paid-up, subordinated to depositors and perpetual in nature (amongst all other criteria) which are not included in CET1 Capital, the share premium arising from issuance of such instruments as well as the regulatory adjustments in relation to the calculation of Additional Tier 1 Capital.

(ii) Tier 2 Capital includes expected credit loss allowance (excluding expected credit loss allowances attributable to financing classified as impaired) and regulatory reserve.

Capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework. For the year 2018, the minimum regulatory CET1 capital ratio, Tier 1 capital ratio and total capital ratio requirement are 6.375%, 7.875% and 9.875% on the risk-weighted assets ("RWA") respectively. The following information presents the capital adequacy ratios of the Bank and the breakdown of RWA:

(a) Capital Adequacy Ratio	31 Dec 2018	31 Dec 2017
CET1 capital ratio	27.370%	28.501%
Tier 1 capital ratio	27.370%	28.501%
Total capital ratio	28.523%	29.782%

2.0 Capital Management and Capital Adequacy (continued)

(b) The breakdown of RWA by exposures in each major risk category under standardised approach are as follows:

Risk type	31 Dec 2018			
	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirement RM'000
<i>Credit Risk</i>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	909,239	909,239	-	-
Banks, Development Financial Institutions and MDBs	745,271	745,271	176,704	14,136
Corporates	2,991,405	2,991,405	2,662,537	213,003
Regulatory Retail	88,601	88,601	76,304	6,104
Residential Mortgages	73,730	73,730	27,384	2,191
Other Assets	30,816	30,816	23,530	1,882
Total On-Balance Sheet Exposures	4,839,062	4,839,062	2,966,459	237,316
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	865,115	865,115	646,921	51,754
OTC derivatives	29,636	29,636	12,873	1,030
Total Off-Balance Sheet Exposures	894,751	894,751	659,794	52,784
Total On and Off-Balance Sheet Exposures	5,733,813	5,733,813	3,626,253	290,100
Large exposure risk requirement*	-	-	-	-
<i>Market Risk</i>				
	<u>Long Position</u>	<u>Short Position</u>		
Foreign currency risk	1,973	91	1,973	158
<i>Operational Risk</i>	-	-	-	
			305,504	24,440
Total RWA and Capital Requirements			3,933,730	314,698

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

*The Bank does not need to fulfill the capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM's RWCAF.

2.0 Capital Management and Capital Adequacy (continued)

Risk type	31 Dec 2017			
	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirement RM'000
<i>Credit Risk</i>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	363,855	363,855	-	-
Banks, Development Financial Institutions and MDBs	1,231,890	1,231,890	274,742	21,979
Corporates	3,119,905	3,119,905	2,340,413	187,233
Regulatory Retail	63,096	63,096	50,139	4,011
Residential Mortgages	66,322	66,322	24,399	1,952
Other Assets	26,548	26,548	20,866	1,669
Total On-Balance Sheet Exposures	4,871,616	4,871,616	2,710,559	216,844
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	743,962	743,962	514,159	41,133
OTC derivatives	32,272	32,272	16,145	1,292
Total Off-Balance Sheet Exposures	776,234	776,234	530,304	42,425
Total On and Off-Balance Sheet Exposures	5,647,850	5,647,850	3,240,863	259,269
Large exposure risk requirement*	-	-	-	-
<i>Market Risk</i>				
	Long Position	Short Position		
Foreign currency risk	16,463	199	16,463	1,317
<i>Operational Risk</i>	-	-	258,530	20,682
Total RWA and Capital Requirements			3,515,856	281,268

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

*The Bank does not need to fulfill the capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM's RWCAF.

3.0 Capital Structure

The bank's total capital according to Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) are as follows:

	31 Dec 2018 RM'000	31 Dec 2017 RM'000
Common Equity Tier 1 ("CET1") Capital		
Paid-up share capital	832,609	832,609
Retained earnings	254,076	175,783
Regulatory reserve	17,644	17,644
Foreign currency translation reserve	(295)	253
Unrealised gains on financial investments measured at FVOCI	1,299	-
Unrealised losses on financial investments available-for-sale	-	(556)
	1,105,333	1,025,733
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Intangible asset	-	-
- Deferred tax assets	(10,298)	(6,048)
- 55% of cumulative gains of financial investments available-for-sale	(714)	-
- Regulatory reserve attributable to loans, advances and financing	(17,644)	(17,644)
	(28,656)	(23,692)
Total CET1 Capital	1,076,677	1,002,041
Tier 2 Capital		
Allowance for credit loss / collective allowance for impairment	27,684	27,399
Regulatory reserve	17,644	17,644
Total Tier 2 Capital	45,328	45,043
Total Capital	1,122,005	1,047,084

4.0 Risk Management Framework

The Board of Directors establishes the Bank's risk appetite and risk principles. The Board Risk Management Committee ("BRMC") is the principal board committee that oversees the Bank's risk management. It reviews the Bank's overall risk management frameworks and major risk policies. The BRMC is supported by both Management Risk Management Committee ("MRMC") at management level and Risk Management Department.

MRMC has been established for active Senior Management oversight, deliberating on policies, profiles and activities pertaining to integrated risk management. All major risk policies have to be deliberated at relevant functional management committees (including MRMC) prior to escalation to BRMC and Board of Directors for approval.

The Bank's risk management policies are established to guide the risk governance activities that cover identification, measurement, assessment, monitoring and controlling of risks. Risk management policies and systems are reviewed regularly to suit the evolving operating environment and requirements. The Bank, through its training, communications, standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board Audit Committee, supported by Internal Audit Department, provides an independent assessment of the adequacy and reliability of the risk management processes and system of internal controls, and compliance with risk policies and regulatory requirements.

The Bank has exposure to the following risks, amongst others, from financial instruments:

- Credit risk
- Market risk
- Operational risk
- Liquidity risk

5.0 Credit Risk

Credit risk is the risk of financial loss to the Bank due to failure of the Bank's customers or counterparties in meeting their contractual financial obligations. The credit risk comes primarily from the Bank's placements, direct lending, trade finance and funding activities. Unsecured exposures are managed in a prudent manner and collaterals are taken whenever required as risk mitigation measures. Periodic credit review is performed to assess the on-going quality of the Bank's credit portfolio, the impact of pertinent factors on the credit profile of the counterparties / customers and the collaterals taken.

The Board of Directors has delegated responsibility for the oversight of credit risk to the Credit Committee and MRMC. These committees are supervised by the Senior Management Committee.

The functions of the Credit Committee are as follows:

- To ensure prudent underwriting standards that are consistent with the Bank's risk appetite and lending direction
- To deliberate lending propositions and credit related requests
- To review credit exposures periodically to ensure prudent and effective credit risk management

The functions of the MRMC are as follows:

- Reviewing and tracking of the Bank's credit risk management profile
- Reviewing and deliberation of credit policies
- Reviewing and tracking of the credit risk appetite of the Bank

The Bank employs a credit risk grading system as a tool for determining the credit risk profile of borrowers / counterparties using appropriate form of scorecards. The credit grades are used as a basis to support the underwriting of credit and the said grades may be mapped according to the credit rating scales of major international credit rating agencies.

MFRS 9 accounting standard requires banks to determine an expected credit loss (ECL) amount on a probability-weighted basis as the difference between cash flows that are due to the Bank in accordance with the contractual terms of financial assets and the cash flows that the Bank expects to receive. The ECL model adopted by the Bank covers the on and off balance sheet credit exposures to sovereign, financial institutions, corporate / commercial and retail loans. Key changes for MFRS 9 from MFRS 139 impairment requirements include:

- Change from incurred credit loss model to expected credit loss (ECL) model.
- More timely and forward-looking information is required to determine the ECL.
- The ECL is applicable to off balance sheet credit exposures.
- The ECL is applicable to credit exposures arising from placements with sovereign entities, financial institutions as well as investment in bonds.
- The credit exposures are to be segregated to three stages.

Under ECL Model, the credit exposures will be segregated into three stages, namely:

Stage 1: Ordinary / Performing Credit Exposure. (12-Month ECL)

Stage 2: Exposure with Significant Increase in Credit Risk. (Life Time ECL)

Stage 3: Impaired Credit Exposure. (Life Time ECL)

The general provision / impairment for the credit exposures of the Bank will be equivalent to 12-Month ECL or Life Time ECL, depending on the category of the stages.

Individual assessment is required for an impaired credit exposure (Stage 3). Individually assessed expected credit loss is required to be provided if the recoverable amount of the loan asset is less than its net carrying amount. Recoverable amount is the present value of the estimated future cash flows discounted at the original effective interest rate, or at the current interest rate if it carries variable interest rate.

The ECL Model methodology adopted for provision purposes will be reviewed and monitored on a regular basis to suit the internal and regulatory requirements.

5.1 Distribution of Credit Exposures

The following tables present the credit exposures of financial assets broken down by relevant category and class against the relevant industry, geography and maturity. For on-balance sheet exposures, the maximum exposure to credit risk equals to their carrying amounts. For financial guarantees, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations for which the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

(i) Industry Analysis

The following tables present the credit exposures of financial assets of the Bank analysed by industrial distribution.

As at 31 Dec 2018													
On-Balance Sheet Exposures	Central Bank RM'000	Financial	Wholesale & Retail Trade and					Finance, Insurance and	Electricity, Gas and	Primary Agriculture RM'000	Household RM'000	Others RM'000	Total RM'000
		Services RM'000	Manufacturing RM'000	Construction RM'000	Real Estate RM'000	Restaurant & Hotels RM'000	Storage and Communication RM'000	Business Services RM'000	Supply Water RM'000				
Cash and short-term funds	376,020	641,693	-	-	-	-	-	-	-	-	-	-	1,017,713
Deposits and placements with banks and other financial institutions	-	12,473	-	-	-	-	-	-	-	-	-	-	12,473
Financial investments measured at FVOCI	458,334	30,630	-	-	20,062	-	-	20,004	60,685	-	-	-	589,715
Financial investments measured at amortised cost	32,283	-	-	-	65,079	-	-	20,000	-	-	-	-	117,362
Loans, advances and financing	-	67,761	206,698	100,554	470,925	108,308	834,473	623,929	65,414	86,590	98,424	372,591	3,035,667
Overdrafts	-	-	8,461	1	1,496	3,981	26,697	15,910	-	-	753	-	57,299
Term loans	-	-	-	-	-	-	-	-	-	-	-	-	-
- Housing loans	-	-	-	-	-	-	-	-	-	-	76,641	-	76,641
- Syndicated term loans	-	-	88,779	57,445	35,808	63,258	412,753	210,750	-	66,571	-	-	935,364
- Other term loans	-	-	29,479	22,022	200,440	-	159,000	28,963	65,414	-	16,967	11,744	534,029
Bills receivable	-	14,955	5,045	-	-	-	-	-	-	-	-	-	20,000
Trust receipt	-	-	-	-	-	-	-	-	-	-	-	-	-
Revolving credit	-	52,806	49,118	15,038	233,181	41,069	132,903	363,306	-	20,019	-	360,847	1,268,287
Bankers' acceptances	-	-	25,816	6,048	-	-	103,120	5,000	-	-	-	-	139,984
Staff loans	-	-	-	-	-	-	-	-	-	-	2,004	-	2,004
Credit card loans	-	-	-	-	-	-	-	-	-	-	2,059	-	2,059
Statutory deposits	42,602	-	-	-	-	-	-	-	-	-	-	-	42,602
with Bank Negara Malaysia	909,239	752,557	206,698	100,554	556,066	108,308	834,473	663,933	126,099	86,590	98,424	372,591	4,815,532
Commitments and Contingencies													
Contingent liabilities	-	217,950	15,943	58,718	38,961	5,855	12,139	16,291	21,397	-	-	884	388,138
Commitments	-	28,616	22,197	156,292	114,734	16,248	95,759	46,129	3,548	-	15,667	7,423	506,613
	-	246,566	38,140	215,010	153,695	22,103	107,898	62,420	24,945	-	15,667	8,307	894,751
Total Credit Exposures	909,239	999,123	244,838	315,564	709,761	130,411	942,371	726,353	151,044	86,590	114,091	380,898	5,710,283

5.1 Distribution of Credit Exposures (continued)

(i) Industry Analysis (continued)

As at 31 Dec 2017												
	Financial			Wholesale & Retail Trade and			Transport, Storage and Communication		Finance, Insurance and Business		Electricity, Gas and Water Supply	
	Central Bank RM'000	Financial Services RM'000	Manufacturing RM'000	Construction RM'000	Real Estate RM'000	Hotels RM'000	RM'000	RM'000	Primary Agriculture RM'000	Household RM'000	Others RM'000	Total RM'000
On-Balance Sheet Exposures												
Cash and short-term funds	69,835	993,024	-	-	-	-	-	-	-	-	-	1,062,859
Deposits and placements with banks and other financial institutions	-	150,000	-	-	-	-	-	-	-	-	-	150,000
Financial investments available-for-sale	241,293	30,526	-	-	20,060	-	-	-	-	60,230	-	372,094
Financial investments held-to-maturity	32,349	-	-	-	-	-	-	-	-	-	-	32,349
Loans, advances and financing	-	64,021	829,100	162,591	573,475	754,189	11,285	393,216	82,272	85,913	189,181	3,213,070
Overdrafts	-	-	9,171	513	366	46,656	3,950	22,280	-	808	-	83,744
Term loans	-	-	-	-	-	-	-	-	-	-	-	-
- Housing loans	-	-	-	-	-	-	-	-	-	-	-	-
- Syndicated term loans	-	-	101,605	46,425	173,190	102,304	-	-	-	63,829	-	63,829
- Other term loans	-	-	672,817	81,699	199,806	297,470	1,191	36,326	62,230	-	-	485,754
Bills receivable	-	-	9,520	-	-	-	-	-	-	15,923	18,755	1,391,814
Revolving credit	-	-	-	-	-	-	-	-	-	-	-	9,520
Bankers' acceptances	-	64,021	15,475	19,642	200,113	259,349	6,092	329,610	20,042	-	170,426	1,084,770
Staff loans	-	-	20,512	14,312	-	48,410	52	5,000	-	-	-	88,286
Credit card loans	-	-	-	-	-	-	-	-	-	2,517	-	2,517
Statutory deposits with Bank Negara Malaysia	20,378	-	-	-	-	-	-	-	-	-	-	20,378
	363,855	1,237,571	829,100	162,591	593,535	754,189	11,285	413,201	82,272	85,913	189,181	4,850,750
Commitments and Contingencies												
Contingent liabilities	-	327,167	8,246	58,129	22,651	37,076	4,518	23,326	-	-	885	481,998
Commitments	-	29,361	37,656	62,074	52,437	47,484	5,845	34,251	1,977	14,903	8,249	294,237
	-	356,528	45,902	120,203	75,088	84,560	10,363	57,577	1,977	14,903	9,134	776,235
Total Credit Exposures	363,855	1,594,099	875,002	282,794	668,623	838,749	21,648	470,778	84,249	100,816	198,315	5,626,985

5.1 Distribution of Credit Exposures (continued)**(ii) Geographical Analysis**

The following tables present the credit exposures of financial assets analysed by geographical distribution based on the geographical location where the credit risk resides.

As at 31 Dec 2018			
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On-Balance Sheet Exposures			
Cash and short-term funds	564,166	453,547	1,017,713
Deposits and placements with banks and other financial institutions	-	12,473	12,473
Financial investments measured at FVOCI	589,715	-	589,715
Financial investments measured at amortised cost	117,362	-	117,362
Loans, advances and financing	2,140,670	894,997	3,035,667
Overdrafts	57,299	-	57,299
Term loans			
- Housing loans	76,641	-	76,641
- Syndicated term loans	265,711	669,653	935,364
- Other term loans	323,640	210,389	534,029
Bills receivable	5,045	14,955	20,000
Trust receipt	-	-	-
Revolving credit	1,268,287	-	1,268,287
Bankers' acceptances	139,984	-	139,984
Staff loans	2,004	-	2,004
Credit card loans	2,059	-	2,059
Statutory deposits with Bank Negara Malaysia	42,602	-	42,602
	3,454,515	1,361,017	4,815,532
Commitments and Contingencies			
Contingent liabilities	170,189	217,949	388,138
Commitments	385,637	120,976	506,613
	555,826	338,925	894,751
Total Credit Exposures	4,010,341	1,699,942	5,710,283

As at 31 Dec 2017			
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On-Balance Sheet Exposures			
Cash and short-term funds	961,497	101,362	1,062,859
Deposits and placements with banks and other financial institutions	150,000	-	150,000
Financial investments available-for-sale	372,094	-	372,094
Financial investments held-to-maturity	32,349	-	32,349
Loans, advances and financing	2,391,574	821,496	3,213,070
Overdrafts	83,744	-	83,744
Term loans			
- Housing loans	63,829	-	63,829
- Syndicated term loans	87,978	397,776	485,754
- Other term loans	1,130,899	260,915	1,391,814
Bills receivable	9,520	-	9,520
Revolving credit	921,965	162,805	1,084,770
Bankers' acceptances	88,286	-	88,286
Staff loans	2,517	-	2,517
Credit card loans	2,836	-	2,836
Statutory deposits with Bank Negara Malaysia	20,378	-	20,378
	3,927,892	922,858	4,850,750
Commitments and Contingencies			
Contingent liabilities	148,615	333,383	481,998
Commitments	225,630	68,607	294,237
	374,245	401,990	776,235
Total Credit Exposures	4,302,137	1,324,848	5,626,985

5.1 Distribution of Credit Exposures (continued)**(iii) Maturity Analysis**

The following tables present the residual contractual maturity for major types of gross credit exposures for on and off-balance sheet exposures of financial assets.

	As at 31 Dec 2018					
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures						
Cash and short-term funds	1,017,713	-	-	-	-	1,017,713
Deposits and placements with banks and other financial institutions	-	-	12,473	-	-	12,473
Financial investments measured at FVOCI	-	-	4,993	388,111	196,611	589,715
Financial investments measured at amortised cost	-	-	-	117,362	-	117,362
Loans, advances and financing	1,026,540	582,209	242,140	974,767	210,011	3,035,667
Overdrafts	57,299	-	-	-	-	57,299
Term loans						
- Housing loans	606	650	2,860	15,112	57,413	76,641
- Syndicated term loans	18,192	9,056	152,231	755,885	-	935,364
- Other term loans	19,235	161,753	41,604	160,299	151,138	534,029
Bills receivable	7,538	-	3,477	8,985	-	20,000
Trust receipt	-	-	-	-	-	-
Revolving credit	870,115	355,323	8,788	34,061	-	1,268,287
Bankers' acceptances	51,480	55,407	33,097	-	-	139,984
Staff loans	16	20	83	425	1,460	2,004
Credit card loans	2,059	-	-	-	-	2,059
Statutory deposits with Bank Negara Malaysia	-	-	-	-	42,602	42,602
	2,044,253	582,209	259,606	1,480,240	449,224	4,815,532
Commitments and Contingencies						
Contingent liabilities	33,369	21,871	123,795	209,103	-	388,138
Commitments	4,318	601	238,484	263,210	-	506,613
	37,687	22,472	362,279	472,313	-	894,751
Total Credit Exposures	2,081,940	604,681	621,885	1,952,553	449,224	5,710,283

	As at 31 Dec 2017					
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures						
Cash and short-term funds	1,062,859	-	-	-	-	1,062,859
Deposits and placements with banks and other financial institutions	-	150,000	-	-	-	150,000
Financial investments available-for-sale	-	-	-	251,206	120,888	372,094
Financial investments held-to-maturity	-	-	-	32,349	-	32,349
Loans, advances and financing	719,429	523,508	382,213	1,256,028	331,892	3,213,070
Overdrafts	83,744	-	-	-	-	83,744
Term loans						
- Housing loans	485	539	2,406	13,109	47,290	63,829
- Syndicated term loans	7,230	1,180	-	322,804	154,540	485,754
- Other term loans	1,620	166,256	252,226	858,601	113,111	1,391,814
Bills receivable	2,971	2,010	4,539	-	-	9,520
Revolving credit	594,044	310,818	103,829	61,079	15,000	1,084,770
Bankers' acceptances	26,480	42,682	19,124	-	-	88,286
Staff loans	19	23	89	435	1,951	2,517
Credit card loans	2,836	-	-	-	-	2,836
Statutory deposits with Bank Negara Malaysia	-	-	-	-	20,378	20,378
	1,782,288	673,508	382,213	1,539,583	473,158	4,850,750
Commitments and Contingencies						
Contingent liabilities	52,329	77,982	118,906	232,674	107	481,998
Commitments	1,631	1,808	224,932	65,866	-	294,237
	53,960	79,790	343,838	298,540	107	776,235
Total Credit Exposures	1,836,248	753,298	726,051	1,838,123	473,265	5,626,985

5.2 Credit Quality of Loans, Advances and Financing

(i) Impaired loans, advances and financing analysed by:

	31 Dec 2018 RM'000	31 Dec 2017 RM'000
<i>a) Sector</i>		
Wholesale & retail trade and restaurant & hotels	1,123	1,093
Household	65	34
	<u>1,188</u>	<u>1,127</u>
<i>b) By geographical distributions</i>		
Within Malaysia	65	34
Outside Malaysia	1,123	1,093
	<u>1,188</u>	<u>1,127</u>

(ii) Past due but not impaired loans

	31 Dec 2018 RM'000	31 Dec 2017 RM'000
Household	<u>210</u>	<u>165</u>

All past due but not impaired loans were from customers residing in Malaysia.

(iii) Expected Credit Loss Allowance broken down by geographical location

The following tables present the expected credit loss allowance of loans, advances and financing analysed by geographical distribution based on the geographical location where the credit risk resides.

	31 Dec 2018		
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Loans, advances and financing	24,137	3,457	27,594
Overdrafts	1,800	-	1,800
Term loans			
- Housing loans	167	-	167
- Syndicated term loans	1,158	2,548	3,706
- Other term loans	4,538	902	5,440
Bills receivable	64	7	71
Trust receipt	-	-	-
Revolving credit	15,280	-	15,280
Bankers' acceptances	1,106	-	1,106
Staff loans	4	-	4
Credit card loans	20	-	20
	<u>24,137</u>	<u>3,457</u>	<u>27,594</u>

	31 Dec 2017		
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Loans, advances and financing	20,593	6,806	27,399
Overdrafts	2,828	-	2,828
Term loans			
- Housing loans	88	-	88
- Syndicated term loans	1,635	3,742	5,377
- Other term loans	4,689	2,608	7,297
Bills receivable	211	-	211
Revolving credit	9,945	456	10,401
Bankers' acceptances	1,158	-	1,158
Staff loans	4	-	4
Credit card loans	35	-	35
	<u>20,593</u>	<u>6,806</u>	<u>27,399</u>

5.2 Credit Quality of Loans, advances and Financing (continued)

(iv) Expected Credit Loss Allowance broken down by sector

The following tables present the expected credit loss allowance of loans, advances and financing of the Bank analysed by industrial distribution.

As at 31 Dec 2018														
On-Balance Sheet Exposures	Financial Services RM'000	Manufacturing RM'000	Construction RM'000	Real Estate RM'000	Wholesale & Retail Trade and Restaurant & Hotels RM'000	Transport, Storage and Communication RM'000	Finance, Insurance and Business Services RM'000	Electricity, gas and water supply RM'000	Primary Agriculture RM'000	Household RM'000	Others RM'000	Total RM'000		
Loans, advances and financing	116	1,170	924	5,419	8,468	1,031	7,702	135	583	854	1,192	27,594		
Overdrafts	-	44	-	25	1,066	23	636	-	-	6	-	1,800		
Term loans	-	-	-	-	-	-	-	-	-	167	-	167		
- Housing loans	-	523	726	132	902	800	485	-	138	-	-	3,706		
- Syndicated term loans	-	176	26	3,050	1,009	-	372	135	-	657	15	5,440		
- Other term loans	7	64	-	-	-	-	-	-	-	-	-	71		
Bills receivable	-	-	-	-	-	-	-	-	-	-	-	-		
Trust receipt	-	-	-	-	-	-	-	-	-	-	-	-		
Revolving credit	109	260	122	2,212	4,553	208	6,194	-	445	-	1,177	15,280		
Bankers' acceptances	-	103	50	-	938	-	15	-	-	-	-	1,106		
Staff loans	-	-	-	-	-	-	-	-	-	4	-	-		
Credit card loans	-	-	-	-	-	-	-	-	-	20	-	20		
	116	1,170	924	5,419	8,468	1,031	7,702	135	583	854	1,192	27,594		

As at 31 Dec 2017														
On-Balance Sheet Exposures	Financial Services RM'000	Wholesale & Retail Trade and Restaurant & Hotels				Transport, Storage and Communication RM'000	Finance, Insurance and Business Services RM'000	Electricity, gas and water supply RM'000	Primary Agriculture RM'000	Household RM'000	Others RM'000	Total RM'000		
		Real Estate RM'000	Construction RM'000	Manufacturing RM'000										
Loans, advances and financing	530	3,719	1,743	5,114	8,168	170	4,678	560	1,069	216	1,432	27,399		
Overdrafts	-	101	54	3	1,196	-	1,469	-	-	5	-	2,828		
Term loans	-	-	-	-	-	-	-	-	-	-	-	-		
- Housing loans	-	-	-	-	-	-	-	-	-	88	-	88		
- Syndicated term loans	-	838	1,293	699	2,035	-	-	-	512	-	-	5,377		
- Other term loans	-	2,130	146	1,742	2,302	-	300	560	-	84	33	7,297		
Bills receivable	-	211	-	-	-	-	-	-	-	-	-	211		
Revolving credit	530	161	132	2,670	1,914	170	2,868	-	557	-	1,399	10,401		
Bankers' acceptances	-	278	118	-	721	-	41	-	-	-	-	1,158		
Staff loans	-	-	-	-	-	-	-	-	-	4	-	4		
Credit card loans	-	-	-	-	-	-	-	-	-	35	-	35		
	530	3,719	1,743	5,114	8,168	170	4,678	560	1,069	216	1,432	27,399		

5.2 Credit Quality of Loans, advances and Financing (continued)**(v) Movements in allowance for impairment on loans, advances and financing**

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January 2018				
- as previously stated				28,526
- effect of changes in accounting policies				(8,035)
As at 1 January 2018, restated	19,336	28	1,127	20,491
New assets originated	5,293	302	816	6,411
Assets derecognised or repaid	(2,128)	(1,902)	(794)	(4,824)
Transfer to Stage 1	1	(1)	-	-
Transfer to Stage 2	(4,038)	4,038	-	-
Changes due to change in credit risk	(3,780)	8,791	-	5,011
Changes in model/risk parameter	1,360	384	-	1,744
Foreign exchange adjustments	(90)	-	39	(51)
As at 31 December 2018	15,954	11,640	1,188	28,782

31 Dec 2017
RM'000

Collective allowance for impairment

At beginning of the financial period/year	13,966
Allowance made during the financial period/ year	16,353
Allowance written back during the financial period/year	(3,091)
Exchange differences	171
At end of the financial period/year	27,399

Individual allowance for impairment

At beginning of the financial period/year	2,080
Allowance made during the financial period/ year	1,384
Allowance written back during the financial period/ year	(171)
Amount written-off during the financial period/year	(2,080)
Exchange differences	(86)
At end of the financial period/year	1,127

5.3 Off-Balance Sheet Exposures and Counterparty Credit Risk

Off-balance sheet exposures of the Bank arise mainly from the following:

- Bank guarantee which represents the Bank's undertaking to make payment to the beneficiary in the event the customer being unable to meet its obligations to the latter.
- Undrawn credit commitment represents the Bank's commitment to extend credit for approved credit facilities which have yet to be fully utilised within the availability period.
- Documentary letter of credit is the Bank's undertaking on behalf of customer to make payment in relation to trade transaction.
- Derivative financial instruments.

Counterparty credit risk on derivative financial instruments is the risk that the Bank's counterparty in a derivative contract is unable to meet the terms of the contract upon maturity. To mitigate the risk, the creditworthiness of the counterparty is thoroughly assessed and depending on a case to case basis, collateral may be required.

5.3 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)**(i) Composition of Off-Balance Sheet Exposures**

The off-balance sheet exposures and their related counterparty credit risk of the Bank as at the respective reporting dates are as follows:

31 Dec 2018				
	Principal Amount RM'000	Positive Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	74,835	-	74,835	14,967
Transaction-related contingent items	564,904	-	282,452	201,988
Short term self-liquidating trade-related contingencies	154,257	-	30,851	20,153
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	526,420	-	263,210	214,946
- Not exceeding one year	1,028,727	-	205,746	188,852
Unutilised credit card lines	40,105	-	8,021	6,015
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	1,695,586	8,155	29,636	12,873
Total	4,084,834	8,155	894,751	659,794

	31-Dec-17			
	Principal Amount RM'000	Positive Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	72,854	-	72,854	14,571
Transaction-related contingent items	801,460	-	400,730	264,760
Short term self-liquidating trade-related contingencies	42,068	-	8,414	8,349
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	131,732	-	65,866	61,631
- Not exceeding one year	942,345	-	188,469	159,126
Unutilised credit card lines	38,145	-	7,629	5,722
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	1,177,371	15,939	32,272	16,145
Total	3,205,975	15,939	776,234	530,304

5.4 Credit Risk Mitigation

The Bank takes prudent approach in granting credit facilities to customers. The main considerations in the credit assessment process are assessing customer's credit-worthiness, reliability of source of repayment and debt servicing ability. Credit Risk Mitigation ("CRM") such as collateral and guarantee provide further comfort to the Bank's exposures but these are deemed as the secondary safeguard measure. Depending on the credit standing of a customer, the Bank may provide facilities to customer on a clean basis. It is in the interest of the Bank to diversify its unsecured exposures to a larger pool of clients that carry the good credit grade.

As at the respective reporting dates, the main types of collateral obtained to mitigate credit risks are in the form of cash deposit, bank guarantee, standby letter of credit, quoted shares and property. Corporate guarantee and personal guarantee are often taken if such credit supports could effectively mitigate the credit risks.

Prior to accepting the CRM, proper assessment on the aspect of legal enforceability of the collateral and guarantor's credibility will be undertaken to arrive at reasonable security coverage. Valuation on the property taken as CRM is required prior to the loan's drawdown.

Proper legal documentations are in place to ensure that the Bank's interests are protected and CRM are enforceable in the event of default by the customer. The value and status of CRM will be reviewed periodically (at least once a year) to ensure the Bank's exposures remain adequately covered. For collateral the value of which fluctuates in a more frequent and volatile manner, such as quoted securities, the collateral value is marked to market periodically for close monitoring. Top up of collateral may be required to bring the loan-to-value ratio back to a satisfactory level in the event of sharp deterioration in the collateral value.

In order to manage any potential concentration risk within the mitigation taken, there is a report prepared on a regular interval to track the concentration level. Thus, the CRM concentration risk is appropriately managed whilst the Bank's loan portfolio continues growing and diversifying.

There is no netting arrangement in place for the Bank's existing on and off-balance sheet exposures. The netting arrangement will be considered on an as-and-when basis to minimise the Bank's risk exposures.

The following tables present the credit exposures covered by guarantee (bank guarantees) and eligible financial collateral (fixed deposits) as at the respective reporting dates:

	31 Dec 2018		
	Total Exposures Before CRM RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000
<i>Credit Risk</i>			
<u>On-Balance Sheet Exposures</u>			
Sovereigns/Central Banks	909,239	-	-
Banks, Development Financial Institutions and MDBs	745,271	-	-
Corporates	2,991,405	173,192	205,644
Regulatory Retail	88,601	11,745	7,559
Residential Mortgages	73,730	-	839
Other Assets	30,816	-	-
Total On-Balance Sheet Exposures	4,839,062	184,937	214,042
<u>Off-Balance Sheet Exposures</u>			
Credit-related off-balance sheet exposures	865,115	239,092	12,209
OTC derivatives	29,636	-	-
Total Off-Balance Sheet Exposures	894,751	239,092	12,209
Total On and Off-Balance Sheet Exposures	5,733,813	424,029	226,251

5.4 Credit Risk Mitigation (continued)

	31-Dec-17		
	Total Exposures Before CRM RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000
<i>Credit Risk</i>			
<u>On-Balance Sheet Exposures</u>			
Sovereigns/Central Banks	363,855	-	-
Banks, Development Financial Institutions and MDBs	1,231,890	-	-
Corporates	3,119,905	381,357	521,502
Regulatory Retail	63,096	18,755	2,865
Residential Mortgages	66,322	-	270
Other Assets	26,548	-	-
Total On-Balance Sheet Exposures	4,871,616	400,112	524,637
<u>Off-Balance Sheet Exposures</u>			
Credit-related off-balance sheet exposures	743,962	239,286	22,208
OTC derivatives	32,272	-	-
Total Off-Balance Sheet Exposures	776,234	239,286	22,208
Total On and Off-Balance Sheet Exposures	5,647,850	639,398	546,845

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

5.5 Assignment of Risk Weights for Portfolios Under The Standardised Approach

The Bank refers to the credit ratings assigned by credit rating agencies in its calculation of credit risk-weighted assets. The following are the External Credit Assessment Institutions ("ECAI") ratings used by the Bank and are recognised by BNM in the RWCAF:

- Standard & Poor's Rating Services ("S&P")
- Moody's Investors Service ("Moody's")
- Fitch Ratings ("Fitch")
- RAM Rating Services Berhad ("RAM")
- Malaysian Rating Corporation Berhad ("MARC")
- Rating and Investment Information, Inc. ("R&I").

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

- Sovereigns / Central Banks
- Banking institutions
- Corporates

Rated and Unrated Counterparties

Under BNM RWCAF, an exposure would be deemed to have an external rating if the issuer or the issue has a rating provided by ECAI that has been recognised by BNM. In cases where an exposure does not have an issuer or issue rating, the exposure shall be deemed as unrated and shall be accorded a risk weight for unrated exposures in their respective exposure category.

There are cases where a borrower/securities issuer or financial instrument is rated by more than one ECAI. In such cases, all available external ratings of a borrower or an issue from recognised ECAIs must be captured and the following rules must be observed:

- Where 2 recognised external ratings are available, the lower rating is to be applied; or
- Where 3 or more recognised external ratings are available, the lower of the highest 2 ratings will be used for capital adequacy calculation purposes.

5.5 Assignment of Risk Weights for Portfolios Under The Standardised Approach (continued)

In cases where the credit exposures are secured by guarantees issued by eligible or rated guarantors, the risk weights similar to that of the guarantors are assigned.

The following is a summary of the risk weights and rating categories used in assigning credit quality to each exposure under the Standardised Approach.

Sovereigns/Central Banks

Rating Category	S&P	Moody's	Fitch	R&I	Risk Weight
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA-	0%
2	A+ to A-	A1 to A3	A+ to A-	A+ to A-	20%
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB+ to BBB-	50%
4	BB+ to B-	Ba1 to B3	BB+ to B-	BB+ to B-	100%
5	CCC+ to D	Caa1 to C	CCC+ to D	CCC+ to C	150%
Unrated					100%

Banking Institutions

Rating Category	S&P	Moody's	Fitch	R&I	RAM	MARC	Risk Weight
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA-	AAA to AA3	AAA to AA-	20%
2	A+ to A-	A1 to A3	A+ to A-	A+ to A-	A1 to A3	A+ to A-	50%
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-	50%
4	BB+ to B-	Ba1 to B3	BB+ to B-	BB+ to B-	BB1 to B3	BB+ to B-	100%
5	CCC+ to D	Caa1 to C	CCC+ to D	CCC+ to C	C1 to D	C+ to D	150%
Unrated							50%

Banking Institutions

Rating Category	Risk Weight (original maturity of ≤ 6 months)	Risk Weight (original maturity of ≤ 3 months)
1	20%	20%
2	20%	
3	20%	
4	50%	
5	150%	
Unrated	20%	

Corporate

Rating Category	S&P	Moody's	Fitch	R&I	RAM	MARC	Risk Weight
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA-	AAA to AA3	AAA to AA-	20%
2	A+ to A-	A1 to A3	A+ to A-	A+ to A-	A1 to A3	A+ to A-	50%
3	BBB+ to BB-	Baa1 to Ba3	BBB+ to BB-	BBB+ to BB-	BBB1 to BB3	BBB+ to BB-	100%
4	B+ to D	B1 to C	B+ to D	B+ to D	B1 to D	B+ to D	150%
Unrated							100%

5.5 Assignment of Risk Weights for Portfolios Under The Standardised Approach (continued)

(i) Rated Exposures As Per ECAIs

The following tables present the credit exposures, categorised according to the credit quality rating as at 31 December 2018:

	Ratings of Sovereigns/Central Banks						Total
	1	2	3	4	5	Unrated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance Sheet Exposures</u>							
Sovereigns/Central Banks	-	-	-	-	-	909,239	909,239

	Ratings of Banking Institutions						Total
	1	2	3	4	5	Unrated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance Sheet Exposures</u>							
Banks, MDBs and DFIs	75,695	709,044	-	-	-	80,000	864,739

	Ratings of Corporates					Total
	1	2	3	4	Unrated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance Sheet Exposures</u>						
Corporates	211,908	234,928	-	174,363	3,095,083	3,716,282

	Ratings of Regulatory Retail					Total
	1	2	3	4	Unrated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance Sheet Exposures</u>						
Regulatory Retail	-	1,209	11,745	-	133,339	146,293

	Ratings of Residential Mortgages					Total
	1	2	3	4	Unrated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance Sheet Exposures</u>						
Residential Mortgages	-	-	-	-	73,730	73,730

The following tables present the credit exposures, categorised according to the credit quality rating as at 31 December 2017:

	Ratings of Sovereigns/Central Banks						Total
	1	2	3	4	5	Unrated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance Sheet Exposures</u>							
Sovereigns/Central Banks	-	-	-	-	-	363,855	363,855

	Ratings of Banking Institutions						Total
	1	2	3	4	5	Unrated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance Sheet Exposures</u>							
Banks, MDBs and DFIs	459,829	919,420	-	-	-	-	1,379,249

	Ratings of Corporates					Total
	1	2	3	4	Unrated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance Sheet Exposures</u>						
Corporates	232,698	319,938	146,904	243,077	2,784,802	3,727,419

	Ratings of Regulatory Retail					Total
	1	2	3	4	Unrated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance Sheet Exposures</u>						
Regulatory Retail	-	-	18,755	-	64,532	83,287

	Ratings of Residential Mortgages					Total
	1	2	3	4	Unrated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance Sheet Exposures</u>						
Residential Mortgages	-	-	-	-	73,175	73,175

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

5.5 Assignment of Risk Weights for Portfolios Under The Standardised Approach (continued)

(ii) Assignment of Risk Weights for Portfolios Under The Standardised Approach

The following tables present the breakdown of credit exposures by risk weights as at the respective reporting dates:

31 Dec 2018 Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Risk- Weighted Assets RM'000
	Sovereign/ Central Banks RM'000	MDBs and DFIs RM'000	Banks, Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000	
0%	909,239	-	182,914	9,961	840	7,286	-
20%	-	727,938	215,936	-	-	8,185	190,412
35%	-	-	-	-	62,428	-	21,850
50%	-	100,898	234,928	12,954	9,857	20,432	189,535
75%	-	-	-	22,242	-	-	16,681
100%	-	-	3,081,484	101,136	605	24,550	3,207,775
Total Exposures	909,239	828,836	3,715,262	146,293	73,730	60,453	3,626,253
Risk-Weighted Assets by Exposures	-	196,037	3,242,135	124,295	27,383	36,403	3,626,253
Average Risk Weight	0.0%	23.7%	87.3%	85.0%	37.1%	60.2%	63.2%
Deduction from Capital Base	-	-	-	-	-	-	-

31 Dec 2017 Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Risk- Weighted Assets RM'000
	Sovereign/ Central Banks RM'000	MDBs and DFIs RM'000	Banks, Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000	
0%	363,855	-	538,284	8,290	270	5,681	-
20%	-	1,228,410	232,698	-	-	4,825	293,186
35%	-	-	-	-	64,473	-	22,566
50%	-	115,797	379,613	18,755	7,961	24,536	273,331
75%	-	-	-	10,488	-	-	7,866
100%	-	-	2,573,911	45,754	471	23,778	2,643,914
Total Exposures	363,855	1,344,207	3,724,506	83,287	73,175	58,820	3,240,863
Risk-Weighted Assets by Exposures	-	303,581	2,810,257	62,998	27,017	37,011	3,240,863
Average Risk Weight	0.0%	22.6%	75.5%	75.6%	36.9%	62.9%	57.4%
Deduction from Capital Base	-	-	-	-	-	-	-

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

6.0 Market Risk

Market risk is the risk of loss arising from movements in market variables, such as interest rates, credit spreads and foreign exchange rates. The Bank has established governance process for market risk management that covers the activities of identifying, measuring, monitoring, controlling and reporting market risks on a timely basis. The objective of market risk management is to manage and control the market risk exposures within the tolerable levels set and maximise risk-adjusted return according to the Bank's risk appetite.

The types of market risks faced by the Bank mainly include interest rate risk and foreign exchange rate risk. For derivative contracts that the Bank enters into with its counterparties, the Bank will square its position by entering into offsetting trades with other financial institutions. The netting arrangements, if required, will be considered on a case-to-case basis to minimise the credit risk of its derivative counterparties as the cash flows are netted on the settlement date. For interest rate risk, the Bank conducts gap analysis through sensitivity testing and seeks to closely manage the interest rate sensitivity gap. The Asset and Liabilities Committee ("ALCO") plays a critical role in monitoring the Bank's overall interest rate risk profile and the Bank's earnings sensitivity in the changes in interest rate.

The Bank does not engage in any proprietary trading activities. Exposures arising from normal banking activities (deposits, loans, foreign exchange, etc) are hedged accordingly to minimise and preferably eliminate exposure to market risk. All risks related to treasury activities will be managed according to, and within the authorised risk limits.

The minimum regulatory capital requirement for market risk exposures for the financial period is disclosed in note 2.0.

6.1 Interest Rate Risk in the Banking Book ("IRRBB")

The projection, by using the repricing gap method, assumes that interest rate moves up and down parallelly by 100 basis points ("bps") across all maturities for all the interest bearing assets and liabilities. It is further assumed that all positions are repriced at the mid-point of each time band and will run to maturity. The repricing profile of loan that does not have maturity is based on the earliest possible repricing dates. The impact on earnings and economic value is measured on a monthly basis.

The table below illustrates the impact under a 100 bps parallel upward / downward interest rate shock on the Bank's earnings and economic value.

	31 Dec 2018		31 Dec 2017	
	-100 bps RM'000	+100 bps RM'000	-100 bps RM'000	+100 bps RM'000
Impact on net interest income				
Ringgit Malaysia	(9,137)	9,137	(11,848)	11,848
United States Dollar	(2,478)	2,478	(1,021)	1,021
Chinese Renminbi	(107)	107	(724)	724
Others	(54)	54	(95)	95
Total	(11,776)	11,776	(13,688)	13,688
Impact on economic value				
Ringgit Malaysia	18,444	(18,444)	8,169	(8,169)
United States Dollar	(2,567)	2,567	(3,682)	3,682
Chinese Yuan Renminbi	(51)	51	220	(220)
Others	(167)	167	(189)	189
Total	15,659	(15,659)	4,518	(4,518)

7.0 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk.

Every department is responsible for understanding the operational risks inherent in its material products, activities, processes and systems. They are responsible for the management of operational risk on a day-to-day basis. The Bank has adopted the following standards and management measures in managing operational risk:

- requirement for appropriate segregation of duties, including the independent authorisation of transactions
- requirement for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where applicable

The minimum regulatory capital requirement on operational risk exposures for the financial period is disclosed in note 2.0 (b).

8.0 Liquidity Risk

Liquidity risks are the risks when the Bank fails to raise funds to meet the present or future obligations due to customers or counterparties at a reasonable cost. The potential liquidity risks of the Bank mainly include customers' premature and collective withdrawal, overdue repayment from counterparties, mismatch in asset-liability maturity structure and difficulties in realisation of assets.

The management of liquidity and funding has been carried out in compliance with regulatory requirement as well as management requirement and limits set by the Assets and Liabilities Committee ("ALCO"). The Bank maintains a strong liquidity position and constantly manages the liquidity profile of its assets, liabilities and commitments to ensure that cash flow requirements are appropriately satisfied and all obligations are met accordingly.

The Bank has been continuously maintaining relationship with new and existing depositors and funding counterparties to grow the funding base in a diversified manner.